

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

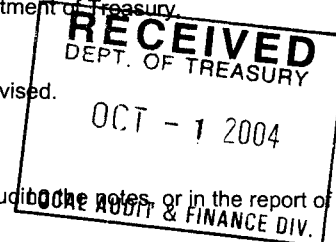
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Shelby Township	County Oceana
Audit Date 3/31/04	Opinion Date 9/30/04	Date Accountant Report Submitted to State: 9/30/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Nicholas D. Lahr CPA			
Street Address 198 N. Michigan	City Shelby	State MI	ZIP 49445
Accountant Signature 		Date 9/30/04	

SHELBY TOWNSHIP
OCEANA COUNTY, SHELBY, MICHIGAN
AUDIT REPORT

For Year Ended March 31, 2004

NICHOLAS D. LAHR
Certified Public Accountant
198 North Michigan Ave.
Shelby, MI 49455

Shelby Township
Township Board
March 31, 2004

Supervisor	Samuel Flemming
Clerk	Robert F. Pochyla
Treasurer	Julie Near
Trustee	Cindy Rapes
Trustee	Kenneth Near

Shelby Township
Oceana County, Michigan

CONTENTS

	Page
INTRODUCTORY SECTION	
Letter on Section 7 (2) of Public Act No. 2, P.A. of 1968	1
FINANCIAL SECTION	
Independent Auditor's Report	2
<u>General Purpose Financial Statements</u>	
Exhibit A - Combined Balance Sheet - All Fund Types and Account Groups	3
Exhibit B – Statement of Revenues, Expenditures and Changes in Fund Balance – General Funds	4
Exhibit C - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	5
<u>Notes to Financial Statements</u>	6 - 9
SUPPLEMENTAL INFORMATION	
Exhibit D – Statement of Changes in Assets and Liabilities – Tax Collection Fund	10
Exhibit E – Statement of Changes in Assets and Liabilities – Trust and Agency Fund	11

CERTIFIED PUBLIC ACCOUNTANT

MEMBER
Michigan Association of
Certified Public Accountants
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Certified Public Accountants

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September 28, 2004

Local Audit and Finance Division
Michigan Department of Treasury
430 West Allegan 4th Floor
Lansing Michigan 48922

Re: Shelby Township, Oceana County
Audit as of March 31, 2004

Dear Sir:

This report on auditing procedures is written pursuant to Section 7 (2) of the Public Act 2, P.A. of 1968, as amended. We have made an examination of the financial statements of the above-mentioned local unit of government. Our opinion, dated September 28, 2004, with respect to these statements is included in our accountant's report submitted to you under date of September 28, 2004.

In connection with the foregoing examination, we have complied with the minimum requirements as outlined in your publication, "Bulletin for the Audits of Local Units of Government in Michigan" (BUGSLUG), as revised.

In accordance with the provisions of P.A. 275 of 1980, as amended, there are no accumulated deficits in the various fund balances of the above local unit, other than as disclosed in the financial statements including the notes thereto. In addition, we found no substantive instances of noncompliance with the provisions of P.A. 2 of 1968 (the Uniform Accounting and Budgeting Act) as amended, other than as disclosed in the financial statements including the notes thereto, or as described in the report of comments and recommendations as prescribed by the reporting guidelines for instances of noncompliance included in Appendix B of the BUFALUG manual.

I hereby state and affirm that I am a certified public accountant registered to practice in the State of Michigan and an independent insofar as that term is defined in our profession.

We did not issue a report of comments and recommendations.

In our accountant's report for the above-mentioned period, we have expressed a qualified opinion. The Township budgets its property taxes in the year of collection versus year of levy.

In the last previous accountant's report for the local unit, which covered the period April 1, 2002 to March 31, 2003, a qualified opinion was expressed.

Respectfully submitted,

Nicholas D. Lahr
Certified Public Accountant

N I C H O L A S D . L A H R

CERTIFIED PUBLIC ACCOUNTANT

MEMBER
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September 28, 2004

Board of Directors
Shelby Township
Oceana County
Shelby, Michigan 49455

INDEPENDENT AUDITOR'S REPORT

We have audited the general purpose financial statements for the Shelby Township as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 3 to the Financial Statements, the Township budgets and reports its property taxes in the year of collection versus the year of levy as required by generally accepted accounting principles.

In our opinion, except for the effect of the method of reporting tax revenue, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Shelby Township, as of March 31, 2004; and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements as a whole. The supplementary information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the general purpose financial statements of Shelby Township, Oceana County, as of and for the year ended March 31, 2004. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements as a whole.

Respectfully submitted,

Nicholas D. Lahr
Certified Public Accountant

Shelby Township
 Combined Balance Sheet
 All Fund Types and Account Groups
 March 31, 2004

Exhibit A

	<u>Governmental Fund Types</u>	<u>Fiduciary Fund Types</u>		<u>Account Groups</u>	
	General Fund	Current Tax Fund	Trust & Agency Fund	Fixed Asset	Total (Memo Only)
ASSETS					
Cash & Cash Equivalents	\$ 858,504	\$ 116,414	\$ 586	\$ -	\$ 975,504
Fixed Asset				228,677	228,677
TOTAL ASSETS	<u>\$ 858,504</u>	<u>\$ 116,414</u>	<u>\$ 586</u>	<u>\$ 228,677</u>	<u>\$ 1,204,181</u>
FUND EQUITY					
Investment in Fixed Assets	\$ -	\$ -	\$ -	\$ 228,677	\$ 228,677
Fund Balance	858,504	116,414	586		975,504
TOTAL FUND EQUITY	<u>\$ 858,504</u>	<u>\$ 116,414</u>	<u>\$ 586</u>	<u>\$ 228,677</u>	<u>\$ 1,204,181</u>

The Notes to the Financial Statements are an integral part of this statement.

Shelby Township
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For Year Ended March 31, 2004

Exhibit B

	General Fund
REVENUES	
Taxes	\$ 86,563
Charges for Services	-
State Revenue Sharing	118,107
Interest	2,140
Other Revenue	36,559
TOTAL REVENUES	\$ 243,369
EXPENDITURES	
Legislative (TWP Board)	\$ 46,147
General Government	-
Supervisor	8,074
Elections	35
Assessor	35,374
Clerk	12,377
Treasurer	22,629
Board of Review	946
Street Lights	1,078
Fire Protection	-
Public Works	-
Cemetery	7,025
Road Commission	38,630
Zoning & Planning	4,324
Landfill	578
Tax Accrual	12,172
Contingency	-
Miscellaneous	1,419
TOTAL EXPENDITURES	\$ 190,808
Excess (Deficiency) of Revenues Over Expenditures	52,561
Transfer to Fixed Assets	(22,475)
Fund Balance March 31, 2003	828,418
Fund Balance March 31, 2004	\$ 858,504

The Notes to the Financial Statements are an integral part of this statement.

Shelby Township
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
For the Year Ended March 31, 2004

Exhibit C

	Budget	Actual	Variance Over/(Under)
REVENUES			
Taxes	\$ 92,000	\$ 86,563	\$ (5,437)
Charges for Services			-
State Revenue Sharing	120,000	118,107	(1,893)
Interest	3,500	2,140	(1,360)
Other Revenue	33,000	36,559	3,559
TOTAL REVENUES	<u>\$ 248,500</u>	<u>\$ 243,369</u>	<u>\$ (5,131)</u>
EXPENDITURES			
Legislative (TWP Board)	\$ 55,000	\$ 46,147	\$ (8,853)
General Government			
Supervisor	11,000	8,074	(2,926)
Elections	1,000	35	(965)
Assessor	30,000	35,374	5,374
Clerk	14,000	12,377	(1,623)
Treasurer	25,000	22,629	(2,371)
Board of Review	1,500	946	(554)
Street Lights	1,500	1,078	(422)
Fire Protection			-
Public Works			
Cemetery	12,000	7,025	(4,975)
Road Commission	25,000	38,630	13,630
Zoning & Planning	15,000	4,324	(10,676)
Landfill	1,000	578	(422)
Tax accrual	12,000	12,172	172
Contingency	43,500		(43,500)
Miscellaneous	1,000	1,419	419
TOTAL EXPENDITURES	<u>\$ 248,500</u>	<u>\$ 190,808</u>	<u>\$ (57,692)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	52,561	52,561
Transfer to Fixed Assets		(22,475)	
Fund Balance March 31, 2003		828,418	
Fund Balance March 31, 2004		<u>\$ 858,504</u>	

The Notes to the Financial Statements are an integral part of this statement.

Shelby Township
Notes to the Financial Statements
March 31, 2004

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The entity is organized as a Township under the Auspices of Public Acts 33 and 57 of 1951. The purpose of the organization is to provide government for Shelby Township. The Township is governed by a Board whose membership is comprised of a supervisor, clerk, treasurer and trustees elected by general election in the township.

The financial statements of the Township include those of separately administered organizations that are controlled by or dependent on the Township. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "The Reporting Entity", is financial accountability. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the governing boards. Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including general operating expenditures of the local unit. Revenues are derived primarily from inter-governmental revenues. Contributions are made on a quarterly basis.

Fiduciary Funds – These funds are used to account for assets held in trust or as an agent for others.

Account Groups

Fixed Asset Group - This account group presents the fixed assets of the local unit, utilized in its general operations (non-propriety fund assets).

C. Basis of Accounting

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivable when measurable and as revenue when available to finance current operations. Significant revenues susceptible to accrual include property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, and operating transfers. Expenditures are recorded when the liability is paid, except for interest on long-term debt which is recorded when incurred.

Shelby Township
Notes to the Financial Statements
March 31, 2004

Note 1 - Summary of Significant Accounting Policies - continued

D. Budgets

As mandated by PA 621 of 1978, all Township funds are required to be under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

PA 621 of 1978 Section 18 (1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Expenditure overages occurred in the following activities:

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over</u>
Assessor	30,000	35,374	5,374
Road Commission	25,000	38,630	13,630
Tax accrual	12,000	12,172	172
Miscellaneous	1,000	1,419	419

In the body of the financial statements, the Township's actual expenditures and budgeted funds have been shown on a functional basis. The approved budgets of the Township of these budgetary funds were adopted at the activity level.

The budget is prepared by the Township Treasurer, together with the Township Clerk. The budget is then presented to the Township Board for approval.

Note 2 - Deposits With Financial Institutions

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivision Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- 1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- 2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which is a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Administration; but only if the bank, savings and loan association, or credit union complies with Subsection (2) of the above mentioned Acts.

Shelby Township
Notes to the Financial Statements
March 31, 2004

Note 2 - Deposits With Financial Institutions – continued

At March 31, 2004 the Township had the following bank balances at the following banks:

Shelby State Bank Checking Accounts	\$ 276,283
Shelby State Bank Certificate Accounts	262,333
Fifth Third Bank Certificates	295,751
West Shore Bank Certificates	<u>141,137</u>
Total	\$ 975,504

- 3) In commercial paper rated at the time of purchase within the 3 highest classifications established by not less than 2 standards rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of the funds may be invested in commercial paper at any time.
- 4) In United States government or federal agency obligation repurchase agreements.

Note 3 Property Taxes

The township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of the levy year and are due before February 14.

The Township uses December 31 as its assessment date and December 1 as its lien date. The Township has a taxable value of \$ 61,727,485. The Township collects taxes for the following school districts:

	Homestead <u>Millage</u>	Non-Homestead <u>Millage</u>
Shelby	27.4160	45.1600
Hart	27.3915	45.3915

Note 4 - Detail Notes on All Fund and Account Groups

A. Fixed Asset Group

The township had a change of \$ 22,474.7 to its fixed assets as of March 31, 2004 due to the remodeling the new Township building.

B. Long-term Debt

The Township had no Long-term Debt as of March 31, 2004.

Shelby Township
Notes to the Financial Statements
March 31, 2004

C. Post-Employment Benefit Plans

The Township had no defined pension or post-employment benefit plan as of March 31, 2004.

D. Accumulated Unpaid Employees Benefits

The Township had no Accumulated Unpaid Employee Benefits at March 31, 2004.

E. Risk Financing and Related Insurance

The Township participates in a commercial insurance plan provided by JW Ryan Underwriting, and vehicle policy on the fire truck through Western Insurance Agency, and a workman compensation plan provided by the Accident Fund of Michigan. As of March 31, 2004 there were no known claims against the Township.

F. Deferred Compensation

The Township had no Deferred Compensation liability as of March 31, 2004.

SUPPLEMENTAL INFORMATION

Shelby Township
Statement of Changes in Assets and Liabilities
Tax Collection Fund
March 31, 2004

Exhibit D

	March 31 2003			March 31 2004
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
ASSETS				
Cash	\$ 96,745	\$ 4,172,456	\$ 4,152,786	\$ 116,414
TOTAL ASSETS	<u>\$ 96,745</u>	<u>\$ 4,172,456</u>	<u>\$ 4,152,786</u>	<u>\$ 116,414</u>
Fund Balance March 31, 2003	<u>96,745</u>	<u>4,172,456</u>	<u>4,152,786</u>	<u>116,414</u>
Total Fund Balance	<u>\$ 96,745</u>	<u>\$ 4,172,456</u>	<u>\$ 4,152,786</u>	<u>\$ 116,414</u>

Shelby Township
Statement of Changes in Assets and Liabilities
Trust and Agency Fund
March 31, 2004

Exhibit E

	March 31 2003			March 31 2004
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
ASSETS				
Cash	\$ 1,083	\$ 12,311	\$ 12,807	\$ 586
TOTAL ASSETS	<u>\$ 1,083</u>	<u>\$ 12,311</u>	<u>\$ 12,807</u>	<u>\$ 586</u>
Fund Balance March 31, 2003	<u>1,083</u>	<u>12,311</u>	<u>- 12,807</u>	<u>586</u>
Total Fund Balance	<u>\$ 1,083</u>	<u>\$ 12,311</u>	<u>\$ 12,807</u>	<u>\$ 586</u>